

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 NSAE-00 SP-02 STR-05 TRSE-00 LAB-04  
SIL-01 OMB-01 /050 W  
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R 021850Z DEC 77  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 3498  
INFO ALL EC CAPITALS

C O N F I D E N T I A L BRUSSELS 17593

USEEC

PARIS ALSO FOR USOECD

E.O. 11652: GDS  
TAGS: EFIN, EEC  
SUBJECT: JENKINS ON EUROPEAN MONETARY UNION

REF: (A) BRUSSELS 15086, (B) BRUSSELS 15365,  
(C) BRUSSELS 17122, (D) LONDON 19572

1. BEGIN UNCLASSIFIED: EC COMMISSION PRESIDENT ROY JENKINS HAS GIVEN TWO SPEECHES THIS WEEK IN BRUSSELS ON THE ROLE OF THE COMMUNITY IN EXTERNAL RELATIONS. IN BOTH SPEECHES, JENKINS HAS HIGHLIGHTED CURRENT EFFORTS TO RE-LAUNCH PROGRESS TOWARDS ECONOMIC AND MONETARY UNION (EMU), AND ESPECIALLY THE NEED FOR MONETARY UNION.

2. THE MAIN THRUST OF BOTH SPEECHES IN THIS CONNECTION IS THAT EUROPE NEEDS A MAJOR STIMULUS, A CATALYST OF HISTORICAL PROPORTIONS, TO COUNTERACT THE DEEPSEATED RECESSIONARY TENDENCIES IN EUROPE. MONETARY UNION  
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(MEANING A COMMON CURRENCY) IS NOT A PANACEA, SAYS JENKINS, BUT WOULD BE A KEY ACT WHICH WOULD "RELEASE THE ENORMOUS POTENTIAL FOR ECONOMIC INTEGRATION AND DEVELOPMENT IN EUROPE". SUPPORTED BY COMMON BUDGETARY ACTION, IT WOULD LEAD TO A MORE RELIABLE AND LESS INFLATIONARY GROWTH OF DEMAND, STRENGTHEN BUSINESS CONFIDENCE AND INVESTMENT, HELP DEAL WITH LONGER-TERM

UNEMPLOYMENT PROBLEMS, AND REVITALIZE THE ECONOMIC  
BASE PROVIDED BY THE INTERNAL MARKET.

3. A SECOND ARGUMENT, GIVEN LESS EMPHASIS, IS THAT THE  
DOLLAR CAN NO LONGER MAINTAIN THE ALL-PERVASIVE ROLE IN  
THE INTERNATIONAL ECONOMY IT ONCE HAD. EUROPEAN MONETARY  
UNION WOULD BE THE "LARGEST SINGLE ACT OF INTERNATIONAL  
MONETARY REFORM SINCE BUTTON WOODS, AND THE LARGEST ACHIEV-  
ABLE REFORM IN CURRENT CIRCUMSTANCES.'END UNCLASSIFIED.

4. COMMENT: (BEGIN CONFIDENTIAL) JENKINS' COMMENTS ON  
MONETARY UNION IN THESE SPEECHES LARGELY RESTATE POINTS  
HE HAS MADE EARLIER, PARTICULARLY IN HIS FLORENCE SPEECH  
(REF B). TWO POINTS, HOWEVER, ARE WORTH NOTING.

5. FIRST, IN CONTRAST TO THE COMMISSION'S COMMUNICATION  
TO THE EUROPEAN COUNCIL (REF C), WHICH LARGELY REFLECTED  
VICE PRESIDENT ORTOLI'S EMPHASIS ON INTERMEDIATE STEPS,  
ESPECIALLY POLICY COORDINATION AMONG MEMBER STATES, JENKINS  
AGAIN FOCUSES ON THE BENEFITS FROM FULL MONETARY UNION.  
IN DOING SO, HE HIGHLIGHTS THE POINT THAT NOT ONLY HAVE  
PAST ATTEMPTS AT EUROPEAN COORDINATION OF DEMAND MANAGE-  
MENT POLICIES FAILED TO ACHIEVE MACROECONOMIC OBJECTIVES  
OF GROWTH, FULL EMPLOYMENT, AND STABILITY, BUT THE MORE  
CONTROVERSIAL POINT THAT SUCH INDIVIDUAL NATIONAL POLICIES,  
HOWEVER WELL COORDINATED, CANNOT THEMSELVES SUCCEED.  
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6. IT SHOULD BE NOTED THAT THESE VIEWS, STATED IN THIS  
WAY, ARE NOT SHARED THROUGHOUT THE COMMISSION. IN PAR-  
TICULAR, KEY SOURCES IN ORTOLI'S CABINET HAVE CONFIDED  
THAT THEY SIMPLY CANNOT ACCEPT THE DOWNGRADING OF EFFORTS  
TO IMPROVE POLICY COORDINATION WHICH IS IMPLICIT IN THE  
IDEA THAT MONETARY UNION IS THE SINE QUA NON OF EFFECTIVE  
DEMAND MANAGEMENT POLICY IN EUROPE. INDEED, IF THIS WERE  
TRUE, GIVEN THE CURRENT RESISTANCE TO THE IDEA OF  
MONETARY UNION, ECONOMIC PROSPECTS FOR EUROPE IN THE  
NEAR AND MEDIUM TERM WOULD BE DIM.

7. SECOND, DESPITE THE LUKEWARM RECEPTION RECEIVED FROM  
SOME QUARTERS ON THIS SUBJECT (FOR EXAMPLE REFS C AND D),  
JENKINS IS CLEARLY TRYING TO CONTINUE HIS EFFORTS TO  
FOCUS ATTENTION AND DEBATE ON THE NEED FOR MONETARY UNION.  
SOURCES CLOSE TO JENKINS EMPHASIZE THAT LITTLE IS EXPECTED  
FROM THE EUROPEAN COUNCIL IN THE MONETARY AREA BEYOND A  
STRONG GENERAL RE-COMMITMENT TO EMU AS A COMMUNITY OBJEC-  
TIVE. THEY DO HOPE, HOWEVER, BY KEEPING THE DISCUSSION  
GOING, TO STIMULATE MORE THINKING ON THIS ISSUE, AND  
EVENTUALLY PREPARE THE GROUND FOR MORE CONCRETE STEPS

TOWARDS MONETARY UNION. JENKINS HIMSELF SAID IN RESPONSE  
TO A QUESTION THAT THERE IS NO TIMETABLE FOR THE ACHIEVE-  
MENT OF MONETARY UNION, BUT THE TIME FOR DISCUSSION  
IS NOW. MORRIS

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## Message Attributes

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**Review Markings:**  
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